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USAF review(s) completed.

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State Dept review(s) completed.

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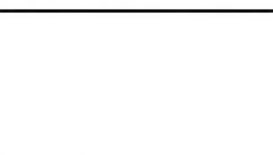
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GENERAL

1. Deputy Foreign Ministers' meeting approaches crucial stage:

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During an informal discussion with the Western delegates on 22 March, Soviet Delegate Gromyko plainly indicated that his present instructions were definite on the necessity of

emphasizing the reduction of armaments question and of including the German demilitarization point as a separate agenda item. (He indicated for the first time, however, that he might agree to including the latter point as the second rather than the first agenda item.) The Western delegates rejected the Soviet position regarding both of these items. Gromyko asked repeated whether the West would make any new proposals and, although the Western delegates replied negatively, the British and French delegates hinted at a possible new formula on the German demilitarization item. In US delegate Jessup's opinion, Gromyko has not yet said his final word but is holding fast in the expectation of some Western concessions.



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2. Increase in Satellite military strength reported:

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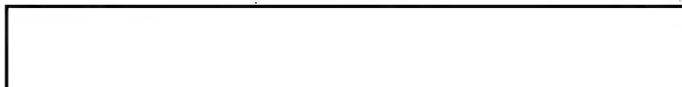


The March Imminence of Hostilities Conference of the US Military Forces in Europe has reached the conclusion that an analysis of all available factors does not indicate any

imminent hostilities on the part of the Soviet Union. The conferees agreed, however, that continuing increases in the strength of the Satellite armies and the appearance, for the first time, of jet aircraft in a Satellite air force (i.e. Poland) reveal that Satellite offensive capabilities are becoming a significant factor in the East-West power alignment. They pointed to the following significant increases in Soviet/Satellite military strength in Europe: (a) an increase of 30,000 in Soviet Ground Forces in Germany between February 1950 and March 1951; (b) an estimated increase in Czech army strength from 116,000 to approximately 160,000 during the

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25X1A next two months; (c) the addition of a tank division to the Hungarian army; and (d) the growth of the Rumanian army from 190,000 to 205,000. The conference noted that the reported arrival of 40 Soviet YAK-15 jet fighters in Poland marks the first appearance of Russian-made jets in any European Satellite air force.

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4. Bao Dai resigns himself to French domination:

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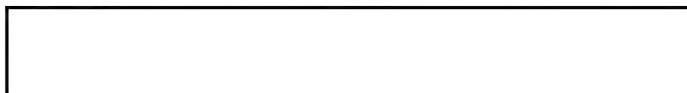
In an interview with US Minister Heath, Bao Dai described General De Lattre as a "necessary evil," whose military leadership is indispensable but whose authority will not

lead to a solution of French-Vietnamese problems. The Emperor believes that it would be useless to press for Vietnamese control over Vietnam's armed forces at this time and that De Lattre's conception of Bao Dai's role is that of a "protectorship sovereign," on the order of the Sultan of Morocco. Bao Dai observed that the arrangements being made for the defection of as many as 15,000 Viet Minh troops in a body will probably fail, because De Lattre is likely to insist that they surrender directly to French authorities rather than to Bao Dai -- a condition that would be unacceptable to the potential defectors. The Emperor states that he must therefore "efface himself" and make no "compromising" public appearances at this time.

Heath comments that, while Bao Dai is probably right in believing that he cannot successfully resist the tendency of De Lattre's advisors to maintain Vietnam as a closed preserve of the

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French, the Emperor's decision to withdraw to his hill-station headquarters at Dalat is "too easily arrived at."

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6. Egyptian Government concerned over Iranian developments:

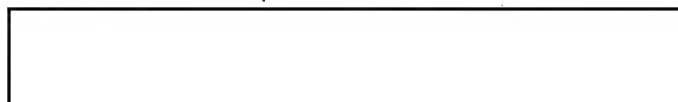
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According to US Ambassador Caffery in Cairo, top political circles in Egypt are increasingly concerned over developments in Iran. Caffery reports that, while government officials are inclined to blame the British oil company, they and opposition leaders are genuinely alarmed at the possibility that the Moslem Brotherhood will revive assassination-type politics, which, under the guidance of the Communists, it would direct against Egyptian leaders. Caffery adds that Egyptian political leaders do not know how to deal with this situation.

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Comment: Recent events in Iran will hardly lead to public violence in Egypt. Nevertheless, the expanding activities of the Moslem Brotherhood during the past year, its increased dissatisfaction with the government, and its long-term antipathy against foreign influence in Egypt furnish an adequate basis for concern that it might use this opportunity to resume its terrorist activities in Egypt.

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